

**U.S. Senate
Committee on Agriculture, Nutrition and Forestry
Regional Farm Bill Field Hearing
August 15, 2006
Redmond, Oregon**

**Testimony of:
Ray Souza
Mel-Delin Dairy
Turlock, California**

**On Behalf of:
Western United Dairymen**

Good morning Chairman Chambliss and Members of the Committee. I want to thank you for holding this Western Field Hearing today and the chance for me to provide input on current and future federal farm policy on behalf of dairy producers. My name is Ray Souza. I am the owner and operator of Mel-Delin Dairy in Turlock, California, which consists of 300 acres and 1,200 head of dairy cattle. I have been in business on this farm since 1984.

I am a past President, currently Vice President and Chairman of the Legislative Committee of Western United Dairymen, a trade association that represents over 1,100 of the dairy producer families in California. I am also a Member of California Dairies, Inc., the largest milk marketing cooperative in California, and the second largest cooperative in the country. My dairy is located in the heart of the Central Valley — an area that is home to the production of one out of every five gallons of milk produced in the U.S.

Before moving specifically to the Farm Bill, let me first tell you that California dairy producers have a crisis on their hands. We have historically low milk prices, which we've had before. But what is different this time is those historically low milk prices have to cover historically high input costs. Diesel fuel, corn, alfalfa, electricity, you name it. Our costs are up dramatically and our income is down just as bad.

Late season and persistent rain virtually ruined first-cutting alfalfa. My brother is in the hay business and I can't even find the top-quality hay I'm used to feeding at any price. Corn is getting very expensive as well. We don't grow much corn in California, and what we do grow is chopped into silage. Corn for our grain and concentrate mix is getting more expensive every day because of higher demand and higher trucking costs.

To top it all off, we just lived through nearly two weeks of 100-degree plus temperatures. California dairy producers lost an estimated 20,000 to 35,000 cows in just that two-week period. The cows that made it through, especially the high-producing early-lactation cows, won't recover to their full production potential until they have their next calf about a year from now.

Mr. Chairman, it's hard to find positives given these conditions I've described, but you've asked me here today to discuss the Farm Bill and I can tell you there are many good things about that bill. The Dairy Price Support Program came into play early in the life of the Farm Bill, was not used at all during the middle of the five-year period for the bill and, unfortunately, has come back into play during the past few months.

There are three major points I'd like to make about the Price Support Program. First, it has cost far less than projected at the time the bill was passed.

Second, it did help keep the bottom from falling out in 2002 and early 2003 during a period of the lowest prices in a generation. Although I will tell you that implementation of the program could clearly have been improved, since the price got as low as \$8.47/cwt in California, while Congress has mandated that the program not allow prices to fall below \$9.90/cwt.

The third point I'd like to make is that this is the one farm safety net program written to allow the federal treasury to recoup its cost. The government either sells surplus dairy products back to the commercial market when prices rise or uses them for nutrition assistance programs either here or abroad. So not only are farmers supported when prices are headed down, consumers benefit when prices are headed back up as stored product comes back onto the commercial market. Nutrition assistance programs are important to everyone, and dairy farmers have historically had a great working relationship with the nutrition community on sound federal policy in that arena.

Given the fact that a new WTO agreement seems very unlikely, there is no reason the Dairy Price Support Program should not be continued. Given the history of expenditures in the current Farm Bill, the fact that the cost is recovered, and what appear to be far higher input costs for dairy farmers in the foreseeable future, the “score” on this program for the next Farm Bill should be significantly lower if the current level of \$9.90/cwt remains the same.

The Milk Income Loss Contract Program, or MILC, or now “MILC-X,” has far less consensus of opinion among producers in the west. Future programs of this type must be non-discriminatory, and a careful evaluation of their potential to stimulate production must be conducted and considered as policy is developed.

I’d like to move now from “MILC” to two programs that are “MIA – missing in action.” The 2002 Farm Bill includes authorization and funding for the Dairy Export Incentive Program, or DEIP. The DEIP is our counter to the European Union’s aggressive export subsidies that are often responsible for keeping world dairy product prices artificially low. It is fully WTO-legal, authorized and funded by Congress, and signed into law by the President.

Mr. Chairman, during that period of the lowest prices in a generation in 2002-2003 the Department released DEIP bonuses for a little butter and that was all. So far, in 2006, again with very low prices and much economic pain for dairy farmers, there is nothing on DEIP. Something this Committee could do tomorrow, to help dairy farmers and rural communities nationwide, is to ask the Secretary of Agriculture to authorize some DEIP bonuses.

It was also during that period of low prices a couple years ago that dairy farmers stepped up with the National Milk Producers Federation’s Cooperatives Working Together (CWT) self-help program. This is a good example of the “hand-shake” dairy farmers are looking for from government as opposed to a handout. Issuing DEIP bonuses now would spur the development of export markets for U.S. dairy products, make CWT more effective, reduce CCC surplus purchases, and reduce the cost of MILC to the federal treasury. It might also signal to our trading partners that the U.S. is serious about its farm safety net until they’re ready to return to the bargaining table and make international competition in dairy more fair.

The other program passed in the 2002 Farm Bill, but not implemented to date, is the assessment of the promotion and research checkoff on imported products. Our own government says they won't even try to implement that import checkoff because our law exempts a little over 1/100th of a percent of milk produced in this country. I suppose with the recent collapse of the trade talks, maybe the WTO really doesn't have anything better to do than worry about point-zero-one-percent of milk produced in the U.S. Still, the marketers of those imported products benefit from our farmer-funded promotion and research programs, so it's time that our government says they have to pay their fair share.

Gladly moving back now to things this Farm Bill does right, the Conservation Title includes a very import program for western dairymen. The Environmental Quality Incentives (EQIP) program has worked very well in California. Dairymen in my state especially appreciate the local control involved in approval of the cost-share contracts. We have had a very good working relationship with NRCS Chief Bruce Knight in Washington, D.C., and State Conservationist Lincoln E. Burton. Mr. Burton was especially helpful in developing ways to move funds from counties where EQIP was undersubscribed to counties where the program was oversubscribed.

On the flip side of the coin, however, is the Conservation Security Program (CSP). It seems this program suffers from the lack of local control that has made EQIP so successful, since to participate in CSP you must first be located in a primary watershed as designated by somebody in Washington, D.C.

California dairy farmers have been at the forefront in development of technologies for turning livestock waste into energy. We believe we can continue to develop as a significant energy supplier, but incentives will be required. We strongly urge you to include an aggressive Energy Title in the next Farm Bill. A key area on that front will be technology review and evaluation. There is seemingly no lack of technologies out there but no one knows what really works and what doesn't and farmers simply do not have the resources, let alone the time, to experiment.

Animal health programs are critical to the dairy industry. The Johne's Disease Control Program authorized in the 2002 Farm Bill has been put to good use by the dairy industry. We must, however, rely on the annual appropriations process for the funding. I urge you to authorize a reliably funded Johne's Program in the next Farm Bill.

Dairy farmers support animal identification. The development of a national ID system should continue along the lines of the USDA five-year plan and then become a mandatory system.

I mentioned nutrition programs earlier. They have been an important feature of the Farm Bill for both producers and the public. The WIC and Food Stamp Programs provide nutrition assistance and education for our most at-risk citizens. Farmers benefit from the food requirements those programs include. The variety of foods in those programs should be increased. The best nutrition science available today suggests, however, that dairy foods not only provide many essential dietary requirements, they play a valuable role in maintenance of proper body weight. Keeping dairy requirements in those programs fully funded is the right thing to do.

A subject that comes up from time to time is forward contracting for dairy farmers. Simply put, forward contracting between farmers and private handlers is not consistent with the goals of a system that includes regulated minimum prices. If you're in favor of pooling, this type of forward contracting cannot be allowed.

While these are not Farm Bill programs, there are a few priority issues for dairy farmers right now I'd like to mention. First, dairy farmers in all parts of the country rely on immigrant labor to milk their cows. Access by farmers to a properly documented workforce is a must for everyone in this country, not just farmers. An effective guest worker program improves national security. However, a policy that forces farmers to be responsible for document verification and subject to fines or worse will make many decide that continuing to farm is simply just not worth the risk involved.

I'd like to take this opportunity to thank the Committee for its help in passing S 2120, the Milk Regulatory Equity Act of 2006. This bill has already helped level the playing field for dairy farmers in this part of the country.

Mr. Chairman, thank you again for holding this hearing and allowing me to testify. I will be happy to try to answer any questions you or other Members of the Committee may have about these issues.

Personal Biography of RAY SOUZA

PERSONAL HISTORY:

A native Californian, born and raised in Turlock, California. Graduate of Turlock High School, and attended Modesto Junior College, completing various courses pertinent to agriculture. Married 35 years to wife Lynette; one daughter, Jaymi Barandica, and one grandchild.

OCCUPATION:

Owner/Operator of Mel-Delin Dairy, Turlock, California, consisting of 300 acres, 1200 head of dairy cattle. Current rolling herd average 26,000 pounds of milk. Acquired ownership of Mel-Delin Dairy in 1984, and through subsequent purchases the original dairy now consists of over 220 acres. Breeder and developer of Holstein sire *Mel-Delin Boutonniere*, highest type sire in U.S. in 1989.

APPOINTMENTS AND OFFICES:

- Elected Chairman of Stanislaus County Planning Commission (2006)
- Appointed to Stanislaus County Planning Commission (2002)
- Elected President Western States Dairy Producers Trade Association, a multi-state association of dairy producer trade associations representing seven western states (2002 – 2005)
- Appointed to the USDA /USTR Agricultural Technical Advisory Committee ATAC (2001 – Present)
- Elected President, Stanislaus County fair (2001-2002) maximum term allowed
- Appointed to Governor Gray Davis' Ag-Water Transition Team (1998)
- Elected Board of Directors, Western United Dairymen (1994 – present)
- Elected President, Western United Dairymen Board of Directors (1998-2001) maximum term allowed
- Appointed by USDA to National Beef Promotion & Research Board of Directors (1994 – 1998)
- Appointed by CDFA to California Beef Council (1991 – 1999)
- Appointed to Stanislaus County Fair Board of Directors by Governor Pete Wilson (1996)
- Elected VP Stanislaus County Fair Board of Directors (2000 – Present)

MEMBERSHIPS:

- Turlock Chamber of Commerce (2002 – Present)
- Stanislaus County Farm Bureau (1980 – Present)
- Western United Dairymen and predecessors (1975 – Present)
- California Farm Bureau (1980 – Present)
- California Dairies, Inc. Cooperative and predecessor (1996 – Present)

ACTIVITIES:

- Turlock Chamber of Commerce Legislative Committee (2001 – Present)
- Committee Member & Presenter, 1999 Governor's San Joaquin Valley Economic Summit
- Co-Chairman, WUD/CFBF Environmental Task Force (1998 – Present)
- Invited speaker on agriculture at various civic groups
- Agriculture Chairman, Salute to Youth Night (1990)
- Turlock Chamber of Commerce Agriculture Scholarship Committee (2001 – Present)